**GOVERNMENT OF ANDHRA PRADESH**

**A B S T R A CT**

Municipal Administration and Urban Development Department – Amaravati Metro Rail Corporation Limited, Vijayawada – Agreement to be entered into between Amaravati Metro Rail Corporation and Delhi Metro Rail Corporation for execution of the Vijayawada Metro Rail Project on turnkey basis – Permission Accorded.

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MUNICIPAL ADMINISTRATION AND URBAN DEVELOPMENT (BUDGET) DEPARTMENT

**G.O.MS.No. 123** **Dated: 13-05-2016**

**Read the Following:-**

1. Government D.O.Letter No.10536/H2/2014, MA&UD (H2) Department, Dated: 29.06.2015 addressed to MD, Delhi Metro Rail Corporation, New Delhi.
2. Government D.O.Letter No.10536/H2/2014, MA&UD (H2) Department, Dated: 29.06.2015 addressed to secretary,MoUD,GOI
3. From S.D.Sharma, Director (Business Development), Lr.No. DMRC/GM/CS/20/AP/2014, Dated: 11.07.2015.
4. G.O.Rt.No.628 MA&UD (H) Department, Dated: 29.09.2015.
5. Government D.O.Lr.No.104806/H2/2015/, Dated: 06.02.2016, addressed to MD, DMRC.
6. From S.D.Sharma, Director (Business Development), DMRC, No.DMRC/Adv (CS)/Vijayawada/2015, Dated: 11.03.2016.
7. Government Lr.No.10536/Budget/2014, Dated: 26.03.2016 addressed to MD, DMRC.
8. From Jitendra Tyagi, Director (Works), DMRC, Lr.Dated:12.04.2016 addressed to Project Director/DMRC, Vijayawada and copy marked Principal Secretary, MA&UD.
9. From S.D.Sharma, Director (Business Development), DMRC, Lr. No.DMRC/Advisor (CS)/Vijayawada/2015, Dated: 12.04.2016.

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**O R D E R:**

1. In the reference 1st read above, the Government of Andhra Pradesh have appointed Delhi Metro Rail Corporation as Agency for execution of the project on turnkey basis and requested to start necessary preparatory action in anticipation of Government of India sanction.

2. In the reference 2nd read above, it was reported that GOAP have appointed DMRC to take up preparatory action for execution of the Vijayawada Metro Rail Project in anticipation of GOI sanction and requested to give concurrence for execution of the project on turnkey basis by DMRC. The said concurrence of GOI is still awaited.
3. In the reference 3rd read above, the Delhi Metro Rail Corporation (DMRC) while enclosing an advance copy of the Draft Agreement requested the Government to take immediate necessary action for releasing funds to the tune of Rs.10 crores as a small token fund in order to enable DMRC to start preparatory action.
4. In Reference 4th read above, Government issued orders sanctioning an amount of Rs. 10,00,00,000/- (Rupees Ten Crores) to the Delhi Metro Rail Corporation Limited as token fund so as to enable DMRC to start preparatory action on behalf of Amaravati Metro Rail Corporation Limited, Vijayawada.
5. In the reference 5th read above, the MD, DMRC, New Delhi was requested to furnish a draft agreement on the lines of KMRL (Kochi Metro Rail limited) and DMRC agreement, Dated:23.05.2013 with similar contents

duly indicating the 2/3 clauses which are proposed for deletion, so as to enable to process and enter in to agreement at the earliest. The DMRC have prepared the draft agreement similar to KMRL- DMRC agreement and furnished to MD, AMRC on 16-02-2016.

6. In the reference 6th read above, the Director, DMRC informed that incase JICA is willing to extend tied loan to Vijayawada Metro and insist for appointment of General Consultants, the same can be agreed with the limited role of such consultants as the DMRC will be responsible for all the activities of the implementation of the Vijayawada Metro and finally requested to arrange for signing the agreement with the DMRC at the earliest.

7. The Government, after examining the draft agreement furnished by DMRC which was prepared on the lines of KMRL-DMRC agreement, revised the draft agreement and sent to DMRC in the reference 7th cited for offering their views. The Government, in the said revised agreement while including several other clauses also stressed the need to have a provision of Tripartite agreement to be entered into between GoI, GoAP and AMRC and that the DMRC may claim their remuneration against the project component cost based on the services of DMRC to be rendered in the project which comes to Rs.222.40 crores plus escalation cost as per WPI. The Government also indicated the need to have a provision that guidelines of multi-lateral funding agencies have to be followed by the DMRC in execution of the project.

8. In the reference 8th read above, the Director (Works) indicated that as far as the role of the AMRC is concerned, it is the full fledged owner of the project and it will have a role in finalization of all the major contracts and the provisions specified in the draft agreement furnished by them enabling AMRC to have adequate control of the project.

9. In the reference 9th read above, Director (Business Development), while offering their comments on each clause of the draft revised agreement sent to DMRC in the reference 7th cited, observed that DMRC is not able to accept all the changes suggested by the State Government and requested to finalize the agreement after incorporating DMRC's suggestions and arranged to sign it at the earliest.

10. The important clauses which were not agreed to by the DMRC are indicated below:

    a. **Tripartite Agreement:** DMRC did not agree as it does not exist on date.

    b. **Payment of Remuneration:** The DMRC while agreeing with formula adopted by the State Government basing on the estimated project component wise cost also indicated extra fee of 6% on contingencies, 3% on all items which will come to Rs.111.20 crores plus escalation of 7.5% of the project cost which comes to Rs.937.15 crores (Total Rs. 1048.7 crores) and fee @ 6% on that amount will be Rs. 62.9 crores beside agreed fees which was suggested by AP as Rs. 222.40 crores and the total remuneration claimed by DMRC as Rs. 285.30 crores

    c. **Guide Lines of Multi-Lateral Funding Agencies:** The DMRC did not agree to have a clause that the agreement shall be reviewed subject to the guidelines and conditions of the multi-lateral funding agencies.

    d. Other items which were not agreed to by DMRC are minor in nature and can be resolved by mutual consultation with AMRC and DMRC at the time of entering in to agreement between AMRC and DMRC.

**11. The matter was discussed with Dr.E. Sreedharan, Principal Advisor to the Govt.of AP on the important clauses of the revised draft agreement and the comments of the DMRC on 06-05-2016.**

12. The Government after careful consideration of issues involved subject to the concurrence of GOI for execution of Vijayawada Metro Rail Project on Turnkey basis by DMRC, observe that:-

i. The AMRC will be the owner and administrator of the Vijayawada Metro Rail project and the DMRC will be the executing agency of the project on turnkey basis on behalf of AMRC.

ii. In respect of tripartite agreement, it is evident that after approval of the project by the Government of India, the GOI will be having 50% partnership in AMRC and a condition will be imposed by GoI in the sanction order of the project for the tripartite agreement and that the same will prevail over the other agreements. Therefore it is necessary to have the provision, similar to clause 3.1.16 of the KMRL-DMRC agreement.

iii. **Payment of Remuneration to DMRC:** Though the DMRC agreed in principle for calculation of remuneration on the estimated project component cost, they have also calculated remuneration @ 6% on the contingencies and escalation of the total project cost.

It is further observed that the actual cost of contingencies and escalation can only be known during the execution of the project and it is premature to decide any claim of remuneration at this point of time and it is proper to allow the remuneration of 6% based on actuals as and when the expenditure on the above items are known.

iv. **Guide Lines of Multi-Lateral Funding Agencies:** The principle advisor to the Government of AP, Dr.E. Sreedharan also expressed the view that the procurement guide lines of the Multi-Lateral Funding Agencies have to be followed while executing the project, so as to enable the project for their funding.

v. The DMRC while procuring any goods for the project or entering into agreement in respect of any work of the project should invariably indicate that DMRC is functioning on behalf of the AMRC.

vi. The number of contract packages involved in this project are going to be multiple in nature. DMRC being the executing agency all the interface issues during execution shall be handled by DMRC.

vii. If the execution of the project is extended beyond the period prescribed in the agreement due to the reasons beyond the control of both the parties i.e. AMRC and DMRC, the remuneration payable to DMRC for execution of the project beyond the said period shall be limited to the actual expenditure incurred by DMRC.

viii. As a statutory requirement any agreement should consists of default and exit clause between the parties.

ix. Efforts shall be made to complete the priority corridor by Dec-2018.

x. It is appropriate to have information of the major milestones for completion of the project within the target date.

xi. If there is any need to modify the contents of the agreement, the DMRC/ AMRC may send such proposal to the other party and by mutual consent they may enter into a supplement agreement by amendments to the proposed agreement as the case may be.

xii. Some clauses of the draft revised agreement proposed by the State Govt., which are similar to KMRL and DMRC agreement were not agreed to by Delhi Metro Rail Corporation. The Delhi Metro Rail Corporation, should not have any objection to have those clauses, unless there are reasons or problems faced by DMRC while keeping the said clauses.

13. The Managing Director, Amaravati Metro Rail Corporation Limited is directed to finalize the conditions of the revised draft agreement referred to in the reference 7th read above and keeping in view the comments of DMRC attached to the letter 9th read above in consultation with the officials of DMRC basing on the above observations of the Government.

14. The Managing Director, Amaravati Metro Rail Corporation Limited is further directed to follow the advice of Dr. E. Sreedharan, the Principal Advisor to the Govt. of AP, while finalizing the draft agreement. The Managing Director, AMRC is permitted to enter into an agreement with Delhi Metro Rail Corporation after its finalization in accordance with this orders of government.

**(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)**

**R. KARIKAL VALAVEN**
**PRINCIPAL SECRETARY TO GOVERNMENT**

To
The Managing Director, Amaravati Metro Rail Corporation Limited, Vijayawada
The Managing Director, Delhi Metro Rail Corporation (DMRC), New Delhi
**The Secretary, MoUD, Nirman Bhavan ,New Delhi-110108**
Dr. E. Sreedharan, Principal Advisor to Govt. of A.P.

**Copy to:**
Project Director, DMRC, Vijayawada
PS to Minister (MA&UD)
The Municipal Administration and Urban Development (Budget) Department, Andhra Pradesh Secretariat, Hyderabad.
The Deputy Pay and Accounts Officer, A.P. Secretariat, Hyderabad.
The Pay and Accounts Officer, Andhra Pradesh, Hyderabad.
The Director of Treasuries and Accounts, Andhra Pradesh, Hyderabad.
The Accountant General, Andhra Pradesh, Hyderabad.
The Finance Department.

**// FORWARDED :: BY :: ORDER //**

**SECTION OFFICER**